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Prices and Exchange Rates

FOR many years past discussions have been proceeding as to whether sterling is over-valued or under-valued in respect of other currencies, while during the last two months the question of the true equilibrium rate* between the pound and the dollar has come very much to the front. Both these matters are really concerned with the relation between the internal level of prices existing in each of two countries and the rate of exchange between them, but the whole problem is not too easy to understand, and so it is hoped that the following brief and simplified explanation will be of use.

We will begin with the simplest case of a single commodity. Let its price in England be £2 and its price in the United States be $8. Then, neglecting questions of freight and tariffs, if the rate of exchange is $4 = £1, both the American and British commodity will obviously sell at the same price in both countries, and neither the British nor the American producer will have an advantage over the other.

Hence $4 = £1 is the equilibrium rate of exchange calculated solely from the British and American prices of this single commodity. If the exchange is $4·5 = £1, then sterling is said to be over-valued. This means that the British manufacturer is at a disadvantage, for he can only sell in the United States at $9, while his American competitor can sell in Great Britain at £1·78. The natural result is an invasion of the British market by the United States, which normally speaking should (*a*) raise the price of the American article due to the new British demand; (*b*) lower the price of the British article, as the result of the new American competition; and (*c*) depreciate

* The equilibrium rate is often called the "purchasing power parity."

sterling against the dollar owing to the payments made by Great Britain for the imports of the American article. Equilibrium might be established at prices of \$8·2 and £1·9, and an exchange of \$4·31 = £1.

Conversely, if the exchange falls to \$3·5 = £1, then the dollar is over-valued, and the British manufacturer gains the advantage. Equilibrium might in this case be established at prices of \$7·8 and £2·1, and an exchange of \$3·72 = £1.

So far, everything is simple enough and would remain so if only we could confine ourselves to a single commodity produced and sold in both countries. Unfortunately we must now come to the level of prices in general, and it is manifestly impossible to give a single figure in pounds or dollars and say that it is the current price-level in England or the United States. We cannot add up the sterling prices of a bushel of wheat, a sack of potatoes, a yard of cotton cloth and a ton of steel rails and so on, without arriving at a meaningless result. Instead we rely upon index numbers, which are mathematical expressions measuring not the absolute level of prices at any single date, but the average change in prices between one date and another. When we talk of an index number (or more loosely a price-level) of 110, what we really mean is that since the base date the average increase in prices is 10 per cent. Or we may say that we arbitrarily fix the level of prices at the base date at 100 (whatever that may mean) and then proceed to talk of the subsequent price-level as 110, or 90, implying all the time that we are speaking with special reference to the base figure of 100.

This necessary change of procedure makes it far more difficult to calculate the equilibrium rate of exchange between two currencies such as the pound and the dollar. No longer can we talk of definite prices of £2 and \$8, and an equilibrium rate of £1 = \$4, but instead we may be faced with index numbers of 105 for Great Britain and 90 for the United States. How then should we proceed?

The first step is to ascertain the base date of each index number and to make sure that they are identical. The index number of wholesale prices given in the appendix to the Review possess as their base date September 16th, 1931, or just before Great Britain went off the gold standard. We are next forced to decide what was the equilibrium rate of exchange at the base date. The simplest course is to take the par of exchange,

$4·866 = £1, which was the approximate rate current so long as both countries were on the gold standard. If, however, we incline to the general view that at $4·866 the pound was over-valued in the sense already defined, then we must guess at the extent of the over-valuation, and if we guess 10 per cent., the equilibrium rate in September, 1931, was nine-tenths of $4·866 or $4·38. Whether we use $4·866 or $4·38 or any other rate as our equilibrium rate at the base date is a matter for our judgment, and we are driven to make that decision by the fact that we have to use index numbers. Incidentally we are, rightly or wrongly, committing ourselves to using index numbers of wholesale prices, that is, prices of primary foodstuffs and materials and articles in the earlier stages of manufacture. If we could or did employ index numbers of the cost-of-living, or wages, or production costs for the two countries, we would equally have to justify our procedure and we would expect to reach rather different results. To those who say that production costs are the best measure of comparison it is simplest to reply that no such index numbers exist.

Having begged several important questions and having made several far-reaching arbitrary assumptions, it is possible to complete the calculations. Let us take the month of January, 1933. The British index number was 101·4, and the American index number 81·8. Then we divide the British index number of 101·4 into the American index number of 81·8 (just as in our simple example we divided our British price of £2 into our American price of $8), and multiply the result by the equilibrium rate current at the base date. If we take the latter at $4·866, our answer for January, 1933, is $\frac{81\cdot 8}{101\cdot 4} \times 4\cdot 866 = \$3\cdot 92$ to the pound. If we take $4·38 as our starting point, the answer is $3·53. To find out if sterling was under-valued or over-valued in January, 1933, we must now take the actual rate of exchange, which was $3·36. Comparing this with both equilibrium rates of $3·92 and $3·53, it appears that sterling was under-valued and the dollar over-valued, and that British producers had the advantage. Quite apart from the political and financial considerations that then applied, it would have been natural to look for a recovery in the rate of exchange in the direction of at least $3·53, accompanied by a slight rise in British prices and fall in American prices.

As an alternative method of procedure, so long as the United States remained upon the gold standard, some authorities did not calculate the equilibrium rate of exchange but instead calculated the level of British prices " in terms of gold." This meant that the original British index number was scaled down in proportion to the depreciation of the sterling exchange, the actual calculation for January, 1933, being $101 \cdot 4 \times \frac{3 \cdot 36}{4 \cdot 866} = 70 \cdot 0$. This new index number was compared directly with the American index number of 81·8, and the fact that the American figure was the higher indicated that American producers were at a disadvantage and the dollar over-valued. This calculation assumes that equilibrium existed at \$4·866 = £1 in September, 1931, and apart from this the method of calculating the equilibrium rate direct is to be preferred as presenting a clearer picture.

We have already said that these results are derived from a comparison of wholesale prices, and that if another basis of comparison were used, a very different result might be obtained. This was illustrated in the *Economist* of June 17th. For April, 1933, when the actual exchange rates averaged \$3·58, the equilibrium rates were given as follows :—

	Equilibrium Rates (a)	(b)
Based on :—		
Wholesale Prices...	\$4·00–\$4·27	\$3·60–\$3·84
Wages	\$3·77–\$4·00	\$3·39–\$3·60
Cost of Living	\$4·17	\$3·75

(*a*) Starting from \$4·866 ; and
(*b*) Starting from \$4·38 in September, 1931.

The spread in the rates based on wholesale prices and wages arises from the fact that the *Economist* gave alternative results derived from the use of different index numbers. The lack of precision in this table illustrates very clearly the danger of being too dogmatic in any discussion regarding the actual level of the equilibrium rate between the pound and the dollar. The most the *Economist* did was to suggest an equilibrium rate of about \$3·60 with an upper limit of \$3·80.

Nor must it be supposed that the equilibrium rate, however calculated, remains unchanged, for it alters every time British and American prices cease to rise or fall together in proportionate degree. Broadly speaking, the simple theory outlined at the beginning of this article tended to operate, for if the rate of exchange rose then the equilibrium rate rose as well, while

conversely a fall in the one was accompanied by a fall in the other. The major movements since September, 1931, have been as follows :—

(*a*) A fall in the actual exchange to \$3·28 in December, 1931 ; and a fall in the equilibrium rate to \$4·13 or \$3·72 in early March, 1932.

(*b*) A rise in the exchange to \$3·80 in early April, 1932 ; and a rise in the equilibrium rate to \$4·36 or \$3·92 in July, 1932.

(*c*) A fall in the exchange to \$3·21 in December, 1932 ; and a fall in the equilibrium rate to \$3·85 or \$3·46 in February, 1933.

(*d*) A rise in the exchange to \$4·84 ; and a rise in the equilibrium rate to \$4·62 or \$4·16 on July 19th, 1933. Subsequent events suggest that a fifth phase may be supervening, but it is still much too early to be certain.

Alternative equilibrium rates are given, according to whether the start is made from \$4·866 or \$4·38. The exchange rates are taken from a table giving the rates current on Wednesday of each week, and so the highest and lowest rates actually touched at each turning-point may not be recorded.

Until quite recently, it appears that the dollar has been over-valued, although the warning against undue dogmatism must here be recalled. The other interesting point is that in each case the turning-point, either upwards or downwards, in the actual quoted exchange rate was reached some two or three months before the corresponding turning-point in the theoretical equilibrium rate calculated from price index numbers. This suggests that every time a major exchange movement occurred, whether due to seasonal purchases of dollars, to big capital movements across the Atlantic or even to political or psychological causes, it tended to make the course of prices in both countries conform. This is only to be expected, for both countries are engaged in a big international trade. If the dollar appreciates against other currencies, our original theoretical example at once applies. Dollar prices of American products tend to fall, as foreign demand is checked and foreign competition intensified; and foreign prices tend to rise. Both movements make the equilibrium rate appreciate as well, as happened in the autumn of 1932.

This equally applies to the events of the current year. The exchange curve was the first to move upwards, owing to general and well-known reasons, and American prices only followed at the end of February. British prices were still slower to move so that during the intervening weeks the curve of the equilibrium rate began to move upwards. Then came the United States departure from gold, and the big advance in American prices, due partly to psychological causes such as the belief in impending inflation and partly to the depreciation of her exchanges which increased the dollar cost of imported raw materials. At the same time her merchants and manufacturers began to re-stock in anticipation of a further price increase, and in doing so drew upon their normal sources of supply all over the world. This began to pull up sterling prices as well, but the rise was far slower than the simultaneous American rise, and therefore the equilibrium rate of exchange continued to advance, until it at last reached very approximate parity with the quoted rate of exchange.

It remains to give one or two conclusions to be drawn from this analysis. The first is that it is impossible to define the true equilibrium rate of exchange, except within very broad limits. If and when the time comes for *de facto* stabilization, the most that can be done is to make as good a guess as possible at the true rate, stabilize there, and see how it works. If either the pound or the dollar turns out to be seriously over-valued, the fact will soon become apparent, just as it gradually appeared that the pound was over-valued from 1925 to 1931.

Secondly, it is impossible to lay down the law either that prices determine the exchange, or the exchange determine prices, for in actual fact each reacts upon the other. This again makes it necessary to insist upon the need for caution and freedom from dogmatism, and even implies that a *de facto* stabilization rate may have to be altered after a relatively short period of time.

Finally, it makes it easier to understand the American attitude towards the June stabilization conversations, if we start from the hypothesis that it is part of American national policy to bring about a further big rise in internal dollar prices. Let us assume that last June $4·05 was a reasonable equilibrium rate between the pound and dollar, and that the exchange was pegged temporarily at that point. Then let us assume that a further rise of 20 per cent. occurred in American prices,

but that British prices remained unchanged. The equilibrium rate would automatically go up to \$4·86, but the actual exchange would remain pegged at \$4·05, with the result that the dollar would become seriously over-valued and American producers would be placed at a disadvantage and—again reverting to our original example—the rise in American prices would be checked and possibly reversed. The American attitude, therefore, was that if they agreed to *de facto* stabilization, they must either forgo the further rise in dollar prices which they desired and which has since occurred, or else submit to the early and increasing over-valuation of the dollar. To them, the only escape from this dilemma was an equivalent rise in sterling and other prices, which we and other countries were unable to guarantee. In fact, the only attraction the suggested rate of \$4·05 had to them was that it was probably somewhat above the equilibrium rate between the pound and dollar existing last June, so that for the moment we were offering a temporary over-valuation of sterling, to be eliminated as the further rise in American prices took place. Even so, we were asking them to submit to an upper limit to the rise in their internal prices, and this did not fit in with their declared policy. These last points, however, are somewhat beyond the original compass of this article, which was to describe what was meant by an equilibrium rate of exchange and to show how it was calculated.

Notes of the Month

The Money Market.—The last day of the half-year passed very easily, and no market borrowing at the Bank was necessary. Apart from the general abundance of funds, bill-brokers were able to accumulate funds by concentrating all their applications for the week's Treasury bills upon bills to be paid for on Saturday, July 1st, after the end of the half-year; and they were able to do this and at the same time to obtain the useful September maturity, because October 1st falls on a Sunday, and so the Treasury bills paid for on July 1st are repaid on September 30th. Meanwhile, the market was steadily gaining funds during the whole of the week up to June 30th, as maturing Treasury bills were being repaid each day. The net result was that by June 30th the Treasury had become temporarily short of funds and, indeed, had to borrow £18·5 millions on Ways and Means from the Bank of England, so that it is fair to say that the market was able to make the Treasury borrow for it over the half-year. Since July 1st the banks have resumed their purchasings of bills, which had been suspended for most of June, so that discount rates have again weakened, the latest rate for "hot" Treasury bills being $\frac{9}{32}$ per cent. as against $\frac{1}{2}$ per cent. in June. Outside money has been very plentiful at $\frac{1}{2}$ and $\frac{1}{4}$ per cent., one per cent. remaining the minimum clearing bank rate. The only other event of note was an increase in "other deposits" at the Bank of England from just under £40 millions to some £57 millions. These deposits represent money lodged by private customers of the Bank, including its foreign clients, and the general belief was that the increase represented accumulations of French money in the Bank in preparation for the repayment at the end of July of half the French Treasury credit of £30 millions arranged in London three months before. Normally this accumulation of money would have taken funds off the money market, but the Bank of England made good the loss by open-market purchase of Treasury bills, which released funds to the market. This is but one more illustration of the fact that the official policy is to keep money cheap and plentiful.

The Foreign Exchanges.—Interest has once more centred upon the dollar. Its general tendency has been to depreciate, and after being quoted at $4·38 at the end of June, it fell

so rapidly in value as at one time to touch Mint parity of \$4·86. Its fluctuations, however, have been very wide, and after touching \$4·86, it recovered to \$4·47 at the end of July. Speculation and movement of funds away from New York have been the main influence, and these have been inspired directly by the avowedly inflationary policy of the American Government, but the British Government's conversion offer relating to the United Kingdom 5½ per cent. dollar bonds was couched in such terms as to make it profitable for London dealers to buy these bonds in New York, convert them, and sell the new 2½ per cent. sterling bonds in London. This stimulated a sudden London demand for dollars, which explains the sharp improvement in the exchange towards the end of July. This demand will obviously prove temporary, and once it is over a further depreciation in the dollar would not be surprising. Canadian dollars have depreciated in sympathy with the New York rate, and in the last half of July were quoted at a discount against both sterling and the American dollar. The joint declaration of the Continental "free" gold currency countries, made early in July, that they intended to maintain the gold standard and to support each other's currencies, caused an immediate strengthening of these exchanges. The Paris spot rate, which was Frs.86¼ at the end of June, improved at one time to under Frs.85, partly under the influence of London purchases of French Bons de Trésor, while three months' francs have gone to a premium of 17 centimes, this again being justified by the relative positions of the London and Paris money markets. The Dutch and Swiss rates have also strengthened greatly, and for the moment the previous anxiety as to their powers of resistance has been allayed. There is an impression in certain foreign quarters that whereas up to the end of June it was a prudent measure to sell Continental currencies and buy sterling, it is now possible that sterling may be allowed to depreciate in sympathy with the dollar, but that every effort will be made to keep the Continental currencies anchored to gold. Hence there is a disposition to move out of sterling into gold currencies, but there is no evidence that these views as to the outlook for sterling have any real substance, still less that there has been any change in the declared British policy of keeping the exchanges as stable as is possible under the present very confused circumstances.

The Stock Exchange.—To some extent markets have been under the influence of the course of events in the United States, with the result that early in July there were substantial rises in British industrials. It was noticeable, however, that when the severe Wall Street break occurred in the third week of July, there was only a very moderate set-back in London, and there is good reason for believing that the position is much sounder in London than in New York. The gilt-edged market showed signs of weakness early in the month, when money was being withdrawn for investment in equities but here, again, the position is intrinsically sound, as is shown by the marked recovery which occurred later in the month. Home rails have continued to improve in sympathy with the better trade outlook and the rising trend of traffics, and a sharp rise followed the announcement of the four companies that (with one exception) last year's interim dividends would be repeated and that the bulk of this year's revenue losses had been off-set by further economies. Oil shares have been subject to fluctuations, but rubber shares have appreciated in sympathy with the rise in the price of the commodity. Kaffirs have been very steady, at higher prices than were current in June, while base metal shares rose substantially early in July, but reacted subsequently in sympathy with the Wall Street break.

Overseas Trade.—The June trade returns gave evidence of a slight set-back, for imports amounted to £53·8 millions, compared with £57·3 millions in May, and British exports

Description.	Jan.-June, 1932	Jan.-June, 1933	Increase (+) or Decrease (−)
	£ mn.	£ mn.	£ mn.
Total Imports	360·9	320·4	−40·5
Retained Imports	331·6	295·2	−36·4
Raw Material Imports	89·5	83·7	− 5·8
Manufactured Goods Imports... ...	81·7	70·8	−10·9
Total Exports, British Goods	187·0	175·3	−11·7
Coal Exports	15·9	15·2	− 0·7
Iron and Steel Exports	14·3	14·0	− 0·3
Cotton Exports	33·3	30·3	− 3·0
British Manufactured Goods Exports...	143·0	134·6	− 8·4
Re-exports	29·3	25·2	− 4·1
Total Exports	216·3	200·5	−15·8
Visible Trade Balance	−144·6	−119·9	+24·7

to £28·5 millions, compared with £30·8 millions. The May returns were among the best for the current year, and some reaction was to be expected, but even so the June results show that the present improvement in trade is only taking place very slowly. The main lesson of the returns for the first half of 1933 is that our foreign trade turn-over continues to shrink. Admittedly, part of the shrinkage in both imports and exports since a year ago arises from price changes and does not represent a contraction in volume; while the improvement of £24·7 millions in our adverse trade balance also shows that our position is becoming stronger. On the other hand, there are several ominous declines in the volume of both imports and exports. Among raw material retained imports, sugar has fallen from 23·8 to 20·3 million cwts., raw cotton from 6,147,000 to 5,860,000 centals, and hides from 617,400 to 604,766 cwts. Exports of coal have fallen from 19·8 to 19·0 million tons, those of iron and steel from 952,000 to 904,000 tons, those of machinery from 167,390 to 127,630 tons, those of cotton yarn from 80·4 to 66·1 million lbs., and those of cotton cloth from 1,148 to 1,083 million square yards. On the other hand, imports of iron ore have increased from 1,049,000 to 1,326,000 tons, while exports of woollen tissues have increased from 26·3 to 27·9 million square yards, and those of linen piece-goods from 37·5 to 39·1 million square yards. There have also been big increases in exports of locomotives from 2,119 to 5,352 tons, and in motor vehicles and chassis from 18,298 to 27,011 in number.

Home Reports

The Industrial Situation

The recent improvement in trade has been fairly well maintained, but there have recently been signs of a slight set-back. To interpret this it must be remembered that the holiday season is rapidly approaching, and the real testing-time will come at the end of September, when the autumn revival should normally begin. It is impossible to disguise the fact that several unsettling influences have recently been at work, including the wide fluctuations in the dollar and in American markets and the failure of the Economic Conference to arrive at any agreement to relax the multitude of trade and exchange restrictions in force throughout the world. This last was only to be expected, as it was difficult to see how the Conference could have arrived at any definite result, but it is noticeable that both here and in other countries such revival as has recently taken place has been confined largely to internal trade. So long as international trade remains dormant and subject to restrictions, only a moderate and limited recovery can be expected.

Agriculture

England and Wales.—Yields of early potatoes were about average in most districts and prospects for the main crop were satisfactory. Yields of hops are expected to be below average in the southern district and rather better in the Midlands. The hay crop is of good quality but expected to be less than normal. The dry weather has affected pastures, but cattle and sheep have done well. Harvesting has begun in some districts under favourable conditions.

Scotland.—The copious rain which fell during the first half of July has imparted new life to all classes of vegetation. Grain crops and potatoes have quickly responded. Corn may be short in the straw, but given favourable weather an early harvest is certain. The hay crop has been secured in good condition and there is an abundant yield. In the markets grain has been in short supply with prices dearer, and there has been a fair demand for potatoes. Trade in the fat stock markets has not been very good and, in spite of limited offerings, quotations show no improvement.

Coal

Hull.—The position generally is better, but business is hampered by quota restrictions. Prices for all qualities are being easily maintained above the fixed minimums.

Newcastle-on-Tyne.—There is a slight increase in trade in screened steam coal. Durham bunkers and coking coal are quietly steady and coke is in fair request, but stocks remain in excess of requirements.

Sheffield.—The export market remains quiet and enquiries for future business are scarce. Industrial fuels show an improvement due mainly to better conditions in the iron and steel trades. Domestic fuels are in poor demand.

Cardiff.—The general tone is dull with prices unchanged. Stocks of large coal are heavy and many collieries are finding it impossible to avoid serious pit stoppages. There is no improvement in forward business. Best quality anthracites are firmly held, but the lower qualities are plentiful and unsteady.

Newport.—After an improvement in May, shipments fell away sharply in June.

Swansea.—Anthracite has been less active, but shipments of the best brands remain regular. Steam coal is also quiet, and collieries are handicapped through being unable to move their stocks of large coal.

East of Scotland.—Business has quietened down considerably, particularly for steam coal, all kinds of which are now in plentiful supply. Washed fuels are still only obtainable in small quantities with prices very firm. All collieries are carrying heavy stocks of large coal, which is almost unsaleable at present.

Glasgow.—Washed nuts are still scarce for export, and large coals were rather more freely enquired for by foreign countries. Considerable quantities of round coal have accumulated at collieries owing to the lack of home demand.

Iron and Steel

Birmingham.—There is a slightly improving tendency, and small mills have benefited by the cessation of supplies from the Continent. Prices of steel billets have been raised, and other prices are firm. The outlook is encouraging, as there is more confidence and a readiness to buy forward.

Sheffield.—The improvement has been well maintained and practically every section is in a healthier condition than it has been for some considerable time. The outlook is brighter, and confidence is returning.

Tees-side.—The improved tone continues, but trade is slow in developing. The consumption of pig-iron tends to expand and many of the light foundries are taking larger supplies. Stocks of Cleveland iron are low with prices firm, but East Coast hæmatite manufacturers have excessive reserves and prices are unremunerative. Semi-finished steel production is on an encouraging scale, but the output of heavy finished steel is poor and demand not encouraging.

Newport.—There is still no sign of any resumption of iron ore imports, and imports for the quarter of semi-manufactured steel show declines compared with April–June, 1932, and with January–March this year. Under the new Continental cartel arrangements there will be some resumption of imports of this class of material, but at a much reduced level compared with pre-tariff quantities. Exports are better.

Swansea.—The tin-plate trade is working at around 65 per cent. of capacity, and sufficient orders are in hand to work at the same rate to the end of the year. Prices are a little easier as forward buyers are holding off in the hope of lower tin prices. The steel works are working at about 75 per cent. of capacity and no foreign tin-plate or sheet bars were imported into South Wales during the month of June.

Glasgow.—The West of Scotland works, most of which were closed for the holidays during the second half of July, are steadily employed. Although a considerably larger tonnage could be produced, a feeling of great confidence is noticeable, and it is expected that business will expand further in the autumn. The improvement is mainly confined to the home demand which has broadened out owing to the almost complete elimination of Continental competition.

Engineering

Birmingham.—Business in small private cars continues good, but the demand for large cars shows no improvement. The motor-cycle trade has done well. Export trade is good with the Dominions, but quiet with the Continent owing to

exchange restrictions. The bicycle trade has experienced a remarkable increase in demand.

Coventry.—The motor trade is steady, and manufacturers are concentrating on their new programmes. Pedal cycles continue good.

Sheffield.—There is a slight improvement, but most firms are still working much below capacity. Manufacturers of tools report varying conditions, but taken as a whole the improvement had been maintained.

Wolverhampton.—The lighter branches have shown a considerable advance, and the heavy sections continue to improve.

Glasgow.—Principally owing to naval orders, marine engineering shops on Clydeside are well provided with work for the coming months. A considerable number of land engines are also being constructed. Makers of sugar machinery are very well employed on Indian orders, and two or three firms are running night and day shifts.

Metal and Hardware Trades

Birmingham.—In the cold-rolled brass and copper section good orders have been received and a fair volume of business is passing. Metal small-wares show signs of further improvement. A slight seasonal fall is expected during the next few weeks, but the autumn outlook is said to be good. Prices are steady to harder, and export trade is slightly better. The tube trade is still disappointing, both for home and export, and although there has been an increased demand for supplies in connection with housing, this is a comparatively small line and trade depends on an improvement in the heavy engineering, shipbuilding and allied trades.

Sheffield.—Good quality cutlery is not doing well, but large quantities of cheap knives, spoons and forks are being produced. Demand from the catering trades shows a slight improvement, but trade is below normal. Export business is quiet.

Wolverhampton.—Export trade has advanced, and the home market also shows an improving tendency.

Cotton

Liverpool.—Erratic price movements have characterized dealings in cotton, operators being confused by the trend of events both in the political and economic sphere. The depreciation of the dollar has, in widening the Liverpool–New York parity, given rise to straddle operations of considerable volume, but the trade generally has shown a cautious attitude and no great volume of business has been done in the raw material. At existing values the price-level, at around 6d., has receded to last month's figures. The protracted drought in the western belt of the United States and the apparent determination of that country to raise commodity prices have had a steadying effect in a market which, in face of the supply position, is still dubious of the ability of the American administration to achieve its objective. Mill activity, though showing a large increase in America (June consumption being estimated at nearly 700,000 bales) remains constant elsewhere, while Manchester reports indicate that the earlier improvement in the demand for cloth has not been maintained. June figures of exports of cotton and rayon piece goods disclosed a falling-off of nearly £1,000,000, as compared with values of shipments in the corresponding month last year—this representing a quantitative decline of 20 million square yards.

Wool

Bradford.—After the very busy conditions in the top market of the last few weeks the volume of new business is declining slightly, partly because users are well covered. Prices, however, remain firm. Spinners are also busier than they have been for a considerable time.

Huddersfield.—The recent rise in raw wool values has resulted in a satisfactory increase in orders for the home trade, both in men's and women's wear. Better prices are being obtained, and there is definitely a more hopeful feeling and outlook. This improvement has not spread to any extent to fine worsteds, as this section of the trade is largely dependent on exports, and quotas and restrictions prohibit any expansion.

Hawick.—The Border tweed manufacturers are now busy on patterns for next spring, which are being fairly well taken up. Some of the orders already placed are in anticipation of the rise in prices which is thought likely to follow the recent advance

in the price of wool and the depletion of stocks. Hosiery and underwear manufacturers are quiet except for a slight increase in demand for knitted woollen goods. Spinners and dyers are hoping to benefit from the improving demand for tweeds.

Other Textiles

Dundee.—There has been a substantial recovery in the jute market, and good business is being done in new-crop jute. Numerous orders for cloth of all widths have been placed. Owing to this activity the annual holiday stoppage in the mills will only be for one week.

Dunfermline.—The better feeling in the Fifeshire linen trade continues, and some good orders have recently been placed. Prices are being advanced as, now that more business is being done, it is hoped to establish them on a basis more in keeping with the cost of production. Spinners' demand for flax is very restricted, any business passing being mainly confined to small lots of tow. Wet spun yarns are firm, with rates tending upwards.

Leather and Boots

Bristol.—The leather trade has recently improved. Prices have hardened and in some cases an appreciable rise has taken place. Some boot and shoe factories report that they are quite busy, but there is a strong tendency from the retailers to ask for forward dates. Employment has been better.

Northampton.—Shoemakers report that trade is fairly satisfactory for the time of year and those who deal in stock business are well up on last year. Attention is now being paid to the autumn trade, but owing to increasing prices in the leather and hide market, manufacturers are moving warily.

Clothing

Bristol.—A slight improvement has taken place in some districts, and partly owing to the good weather there is a better feeling abroad. Prices of materials are advancing.

Leeds.—The clothing trade continues to be well employed.

Shipping

Hull.—There is a little better demand for tonnage, but plenty of vessels are available, and rates remain low.

Liverpool.—Rates generally continue to rule at unremunerative levels, but a fair volume of orders for early loading has not been without effect in the River Plate section. The market elsewhere shows no appreciable change, except as regards Cuba and Australia, where business has been transacted on a slightly higher basis. Ample tonnage was available to absorb the limited trade passing in outward coal. Statistics as at July 1st evidence a marked decline on the previous year in the volume of tonnage dealt with by the port; over 2,000 fewer vessels have paid harbour dues, and the resulting decrease in revenue is estimated at £120,000.

Newcastle-upon-Tyne.—Rates remain unremunerative, and tonnage is readily obtainable.

Cardiff.—The freight market is unchanged.

Newport.—Freights remain at a very low level. Other countries are apparently following the French example of giving preference to their own tonnage for imports of coal from this country, and this seriously restricts the British market. There is an increase in laid-up tonnage.

East of Scotland.—Shipping at the Forth ports shows no improvement, and even coal shipments have recently shown a marked decrease.

Glasgow.—There is little activity in the freight market, and low rates are still current for coal from Scottish ports for foreign countries, particularly for Scandinavia.

Foodstuffs

Liverpool, grain.—The wheat market has maintained a firm tone, and values show at the time of writing every prospect of rising above present levels. July "options" at around 5s. 9d. show an advance of over 6d. on the quotation ruling in mid-June, and the rise reflects a position which, under the influence of greatly reduced North American crop estimates and large-scale buying in that Continent, would appear to justify the bullish trend of the market. The effect of American policy, combined with extensive drought in the spring belt, has restored wheat to the proverbial post-war minimum basis of "a dollar a bushel" on the Chicago market, a price which has not been touched since 1930. Although it is understood that a provisional agreement has been reached by the four chief exporting countries for an all-round reduction of 15

per cent. in future sowings, market opinion is not over-sanguine that such a project will be "carried unanimously." European opposition to a modification of production is known to be overwhelmingly strong. In "actual," a moderate trade has been done in Australian and Plata, business in Canadian having suffered a decline. Flour is again quoted higher, but spot sales, except of Australian, have been relatively meagre in volume, and bakers are buying only for immediate requirements. There have been active dealings in forward maize, and Plate shippers' offers show no tendency to cheapen. Spot prices are firm at around 3s. 10d. per cental.

Liverpool, provisions.—Hot weather has restricted the demand for Continental bacon, and supplies are ample for requirements. American hams were steady and in moderate demand. Lard also remains steady here, and although prices in America have advanced substantially, the depreciation of the dollar has offset the rise in our market. Butter values have remained very firm, and in spite of heavy consumption supplies continue more than adequate. Imported cheese has been a disappointing trade, mainly owing to the heavy milk production in the Home Counties. The price of British descriptions continues low, and stocks are not readily absorbed. In canned goods, both meats and fruits were in much better demand at about unchanged prices.

Fishing

Brixham.—Landings of all classes were considerably below average for June, as calm weather conditions prevented the trawlers from working the grounds. Prices remain depressed.

Lowestoft.—Prices generally firmed up during June. 49,537 tons were landed by British vessels, the value being £752,851, which compares with £717,169 realized for 56,677 tons in June, 1932. The chief quantitative decreases were in cod, haddock, hake and halibut, and the increase in value was due to cod, haddock and soles. For the first time for some months there was an increase in the supply of foreign fish, Norwegian supplies being diverted from Germany to this country.

Penzance.—Fishing during June was on the whole fairly good, local boats having made some good landings which

realized from £105 down to £30 for the week. A few St. Ives craft have been fishing out of Newlyn for mackerel, and although catches proved light, boats earned as much as £60 for the week. Pilchards are so far scarce.

Scotland.—The North herring fishing, which is now being actively prosecuted, has met with some success during the past month and at several of the ports both landings and prices are in advance of last year. Supplies of white fish have been fairly good, with prices generally rather easier.

Other Industries

China Clay.—St. Austell reports no material improvement, but there have been small increases in the shipments for May and June. Trade, however, is stagnant.

Paper-making and Printing.—The Edinburgh paper-making trade is at present under the influence of the holidays, and with dull conditions at home and the continued absence of demand for export, prospects are not bright. There has been a slightly better feeling in the printing trade, and it is hoped that the autumn publishing season may bring in some more work.

Pottery.—Home trade continues poor, but there are prospects of better business after the August holidays. Pottery exports for June show a slight fall compared with June, 1932, but there were increased shipments to Brazil, Argentina, South Africa and Australia. Imports show a considerable increase.

Timber.—Hull reports that the immediate consequence of the removal of the embargo upon Russian goods was that shippers stated that in view of the limited time now at their disposal they could only forward 350,000 standards out of their original schedule of 435,000 standards. It is doubtful if even this lower figure will be realized, and only 300,000 to 320,000 standards of Russian timber may be shipped. Timber Distributors Limited have agreed with shippers to charge an additional 12s. 6d. per standard upon all imports to cover expenses incurred during the period of the embargo. This charge is regarded as reasonable by the trade. Cargoes from the Baltic are arriving, and are being disposed of immediately, only small quantities being stored in the yards.

Overseas Reports

Australia

From the National Bank of Australasia Limited

July rains have improved prospects in most rural areas, particularly in large sections of the Queensland sheep country and in the wheat districts of all states. A variety of favourable factors have combined to maintain public confidence. Among these are the higher prices of wool, wheat and metals, the reductions in government deficits, the success of the recent Commonwealth loan, lower interest rates, the maintenance of a large volume of exports and the stability of the London exchange. There was some reaction in trade during June owing to the uncertain seasonal prospects then prevalent, but even so most secondary industries showed a definite improvement over last year.

Canada

From the Imperial Bank of Canada

The advance in the price of wheat and other primary commodities and farm products, such as metals, lumber, grain and livestock, had by early July caused a revival of purchasing power, and as stocks of goods in all branches of trade had fallen to a low level, manufacturers were disposed to regard the outlook with greater confidence. Prospects were most hopeful in industries providing essential needs, such as foodstuffs and clothing, but there was also an improvement in the demand for automobiles and agricultural implements. General business indicators such as car-loadings, employment, banking statistics, and also the stock markets bore witness to the improved outlook. Construction, too, was more active, but the heavy industries have not so far revealed any important change. Against these indications of reviving trade, it is still necessary to record that the business community feels that some time must elapse before the returned confidence of the public will be reflected in the heavier consumption of goods at the present higher level of prices.

India

Bombay.—Although a big advance in New York cotton prices was registered during June, Bombay prices weakened

owing to the poor off-take of Indian cotton for abroad and expectations of heavy offerings. Mills were a little more active towards the close of the month, with some demand for local goods, but prices and stocks remained unchanged. There was, however, some improvement in the size of orders for future delivery. The market in Manchester goods was quiet, as although offers are being freely made it has so far proved impossible to agree on prices. Forward bookings of Japanese goods have been very limited since the new duties came into force. The monsoon has given well-distributed rains, and conditions so far are generally favourable.

Rangoon.—The rice market has been dull and lifeless, and business has been further unsettled by reports that the Japanese Government are endeavouring to re-import old crop Burma rice into India. European enquiry for timber has been brisker, with some improvement in the amount of business booked. Indian railway orders have also been placed for about 2,000 tons of teak squares. Demand for hardware remains apathetic, as replacement costs are above bazaar selling rates.

Irish Free State

Weather conditions have been very variable, but on the whole were favourable to farm work. First crop hay is well up to average and meadow hay is above average. Winter-sown wheat is exceptionally promising. Spring-sown wheat is inclined to be thin, but otherwise looks well. Oats and barley are reported to be heavy crops. Business was limited at the fairs held during the month. There was a steady demand for good-quality young stores cattle, but other sections of the market met with little support and many beasts were returned unsold. Fat cattle were in quiet demand at variable prices. Sheep remained in good condition during the month, and lambs made satisfactory progress. The demand for pigs was easier. Reports generally suggest that the tendency to reduce breeding stocks has now been definitely checked, but no appreciable increase has yet begun.

France

From Lloyds & National Provincial Foreign Bank Limited

Foreign trade returns for the first five months of 1933 were: Imports, Frs.12,702 millions, and exports,

Frs.7,549 millions. The corresponding figures for 1932 were: Imports, Frs.12,622 millions, and exports, Frs.8,508 millions. The adverse visible trade balance has thus increased from Frs.4,114 to Frs.5,153 millions. The number of registered unemployed on July 8th was returned at 249,198, as compared with 271,131 a month before, and 261,922 a year before. Railway traffic receipts for 1933 up to June 24th amounted to Frs.5,272 millions, or Frs.346 millions less than in the corresponding period of 1932. Reports from the heavy industries show that the coal trade is dull and stagnant, with demand confined mainly to imported fuel which is offered at lower prices. Some branches of the iron and steel trades are reasonably active. The May index number of industrial production, covering nine industries, was 108 (1913 = 100). This compares with 107 for April and with 94 for May last year. During the month ended July 18th there was a marked increase in activity on the Paris Bourse, and a general advance in prices. Buying from Holland and Switzerland was noticeable. In some cases, purchases were inspired by fears of coming currency depreciation, but the consolidation of the European "gold bloc" has partially allayed these apprehensions and led to a certain amount of profit-taking with some reaction in prices. Rentes were depressed by budget difficulties and by anticipations of the new 4½ per cent. loan recently issued at a price of Frs.962.50. It is too early to say with what degree of success the loan has met.

Bordeaux.—An early vintage is anticipated this year, and there are prospects that it will be of good quality. Old wines are scarce with a steady demand. The resin market is firm, and stocks have been reduced. Prices are influenced by the fluctuations of the dollar.

Le Havre.—Business in raw cotton again improved during June and early July, and there was a steady demand from spinners. Good business has been done with the mills by way of monthly deliveries over a long period, based on the future quotations now current for each delivery month. Prices are liable to sharp fluctuations in sympathy with the New York market and because of divergent reports regarding the new crop. There has been an improvement in the coffee market. Demand is reviving and stocks have been reduced.

Lille.—The volume of business in the cotton and linen trades is slowly improving, but is confined to the home market. The export trade shows no signs of improvement either in the spinning or weaving sections. Prices are firm, but the margin of profit is still insufficient. In the oil trade a boom in prices is taking place. The price of linseed oil has now reached Frs.200 per 100 kilos.

Marseilles.—As is usual at this time of the year the oil-seed market has been quiet. The activity of the preceding months was largely due to the talk of government measures to protect French colonial produce. Crushers advised their customers to replenish their stocks in view of the likelihood of a rise in prices, and large sales were effected to French consumers during April and May. Prices remained fairly steady during June. Purchases of French colonial groundnuts in shell amounted to about 4,000 tons, but this was mostly speculative business in anticipation of the application of the tariffs referred to above. The demand for this quality is stated to exceed available supplies, and prices are expected to continue firm. Copra prices have fallen slightly, but the market has been active. During the last three months olive oil prices have steadily improved but very little business has been recorded.

Roubaix.—The situation is better than it has been of late. This is partly due to the firmness of raw wool, which has induced buyers to place considerable orders for cloth, but as yet the public has not shown any eagerness to buy at the higher prices. All sections have benefited by the improvement and prices have advanced by some 15 per cent. Prices of tops on the terminal market are also up by about 15 per cent. since a month ago, and the turnover has grown largely compared with the figures of 1932. Weavers have booked orders for the autumn and in some sections it is difficult to obtain guaranteed delivery. Combers are working up to 80 per cent. of capacity.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Brussels.—The coal trade is unusually quiet, and although output has been reduced stocks are nearly as high as they were a year ago. The iron and steel prices fixed by the international sales organization are unchanged. June steel

production amounted to 226,000 tons, against 265,000 tons in May. Special prices for semi-finished steels are being quoted for shipment to England in the endeavour to retain some footing in the British market.

Antwerp.—Business has been more active, and prices have remained steady. There has been a good demand for rubber, copal and palm oil, while trade in wool has been brisk and prices are substantially higher. There has been some improvement in the diamond industry, and better prices are now being obtained. The Stock Exchange is firm, and prices of sound industrial, bank and electricity shares have risen.

Germany

June witnessed a further improvement in business, but this has been succeeded by a slight seasonal recession. Unemployment fell during June from 5,040,000 to 4,856,000 and this last figure compares with one of 5,476,000 for the end of June last year. There was a substantial increase in pig-iron production from a daily average of 13,371 tons in May to one of 14,125 tons in June, and this latter figure shows an improvement of 40 per cent. over a year ago. Steel production for the first half of 1933 amounted to 3,500,000 tons, against about 2,900,000 tons for the first half of 1932. The National railways have placed new orders for rails for delivery at the rate of 40,000 tons a month until the end of the year, and further orders are expected. Coal production, however, showed little net change during June, the figure for the week ended July 1st being 262,800 tons, against 263,400 tons for the week ended June 3rd. Some Ruhr pits, however, are well occupied, and home consumers are becoming more inclined to use German coal, even though British and Dutch competition remains very keen. The improvement in the engineering industry has been maintained. Wholesale prices continue to rise very slowly, and the recent expansion in the note circulation points to more active business.

Holland

The recent weakness of the guilder had no effect outside the Stock Exchange, and the firm measures taken by the Nederlandsche Bank in raising its discount rate

from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent. on June 28th served to restore confidence. The exchange is now stronger, and the discount rate was reduced to 4 per cent. on July 14th. Trade is, perhaps, slightly better. The latest decline in unemployment was rather more than is usual at this time of year, and fresh orders for machinery have been received from the Dutch East Indies. Shipping is a little more active, and the quantity of idle tonnage has been reduced. Shipments of rubber and spices from the Dutch East Indies to the United States have increased in volume. The Nederlandsche Bank has issued an estimate of the aggregate Dutch claims upon Germany, which are affected by the transfer moratorium. These amount to Fl.430·6 millions in bonds, and Fl.613·4 in shares and other forms of property. The fact that interest and dividends on these amounts will only be paid partially will involve some decline in the Dutch balance of payments. The Dutch Government is beginning to take steps to arrive at some kind of clearing arrangements with countries which have exchange restrictions in force, and further details should shortly be available.

Norway

Imports for the first half of 1933 totalled Kr.318·8 millions, or Kr.17·5 millions less than in the first six months of 1932. Exports amounted to Kr.265·7 millions, or only Kr.4·0 millions less than in the first half of 1932. Imports for June were Kr.55·1 millions, against Kr.56·7 millions in May, while exports were Kr.46·0 millions, against Kr.42·6 millions in May. There were some indications of an improvement in trade during June. Unemployment fell from 35,803 in the middle of May to 30,394 on June 15th, while during June itself the quantity of laid-up shipping was reduced from 1,220,825 to 1,113,883 tons d.w. At a meeting of the Whaling Association, held on June 21st, the approaching season's production of oil was fixed at 1,850,000 barrels, or about 250,000 barrels less than last season. This agreement does not become effective until it is accepted by three companies, who were not present at the meeting. The establishment of a joint selling organization was also agreed to at the meeting. The first sale of next season's production has been made to the United States on the basis of £12 per

ton for No. 1 quality. The shipyards have lately secured from whalers good orders for annual repairs and reconditioning. The new budget is reported to balance at Kr.373·5 millions. The duties on sugar and coffee are being reduced, but a sales tax is proposed upon certain luxury articles, including silk and rayon goods. This sales tax ranges from 4 to 6 per cent., and is based on the price paid by the retailer to the wholesaler or other supplier.

Sweden

May was the first regular shipping month of the year. Exports of timber and wood pulp were satisfactory, but those of paper remained on a comparatively low level. At the beginning of July, total timber sales for the year amounted to 575,000 standards, and prices were still firm. The removal of the British embargo upon Russian goods is not likely to affect appreciably shippers' selling policy. There will be some decline in the British demand, but the risk of increased offerings of Russian timber on the Continent has now disappeared, so that larger sales to the Continent are expected. The cellulose market has remained active since April, with American buyers predominating, but prices have been unsettled by the fluctuations of the dollar. The extension of the international sulphite agreement until the end of 1934 has established a sound basis for the development of this trade, and it is noticeable that England has shown an increased interest in purchases of sulphite, both for the current and the following year.

Denmark

Trade continues to improve, and it is generally thought that the bottom of the depression has now been passed. Import and export trade is still limited by restriction at home and abroad, and the revival is chiefly to be found in internal business, particularly in the boot and shoe industries. The building trades are also benefiting from the Government programme in aid of this industry, which is so substantially relieving unemployment. Shipping activity is also reviving, and the quantity of laid-up tonnage was reduced during June from 216,373 to 125,991 tons d.w., the latest figure being

the lowest since November, 1930. Unemployment has again decreased, but at a much slower rate than in previous months, the latest figure being 86,792, against one of 89,635 a month before. Bacon prices have improved, but prices of butter, eggs and cattle remain very low, and exports are still checked by foreign trade restrictions. The National Bank improved its foreign exchange position by Kr.26·9 millions during June, but the three big joint-stock banks lost Kr.22·7 millions of foreign exchange, so that there was a net improvement of only Kr.4·2 millions.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

Total imports for June were Frs.137·3 millions, or a decrease of 19·2 millions below May. Exports amounted to Frs.68·4 millions, and showed a falling off of a further Frs.5·1 millions. Current world events are held to be responsible for the state of the export market which is particularly hard hit by currency depreciation in competitive countries. The industries chiefly affected are those of silk, watches, shoes and aluminium. The home market continues to be well maintained—as is proved by the present volume of imports—and owes a deal of its support to the introduction earlier in the year of the quota system. Although the value of imports shows a decrease, there is an actual increase in tonnage of imported raw material, chiefly in cotton, wool, iron and tobacco. The situation in the labour market has improved, but general industrial conditions show no change. While the Stock market has been more active recently, the Bond market remains dull.

Spain

Urgent representations have been made to the Spanish Government to negotiate the release of frozen credits in the Argentine along the lines of the recent Anglo-Argentine Agreement, but although a solution advantageous to Spanish commercial interests is said to be imminent, no official confirmation has yet appeared. It is reported that commercial credits in Chile will shortly be freed. In the first four months of 1933 revenue amounted to 1,214 million pesetas and expenditure to 1,169 million pesetas. The figures represent

increases of 30 and 159 million pesetas respectively, as compared with the same period in 1932. Railway electrification plans, which have long been held up through the need for economy and the weak position of the railways, are now to be carried out, and 85 million pesetas, advanced by the State, will be used for the electrification of an important section of the Northern line.

Morocco

From the Bank of British West Africa Limited

Business conditions indicate a general improvement, owing largely to the effect of the guaranteed price for the first instalment of wheat imports into France from Morocco, which has resulted in general activity in many related circles. Cereal stocks in the interior are reported to be heavy. Harvesting is now nearly completed and yields have proved on the whole to be fair to average, barley being plentiful with improving prices. Exchange movements have helped to expand business. Manchester cottons are more active and also all American products, notably petrol. The Spanish demand for Moroccan eggs remains dull, but Marseilles has been a heavy buyer. English cars and motor cycles are gaining ground, but there is still an almost untried field for such English products as fancy goods, preserves, clothing, ironware, kitchen utensils, building materials and farm implements.

The United States

Our New York correspondent's report, dated July 8th, refers to the principal Acts recently passed by Congress. The Glass Steagall Bank Act renders it illegal for a commercial bank to engage in the marketing of securities, provides for a scheme for the insurance of bank deposits against loss through the bank failures, and forbids the payment of interest on bank deposits. One consequence of this last prohibition has been that interior banks are withdrawing money from their New York correspondents and are investing it in bankers' acceptances and Treasury bills, and this in conjunction with the increased activity on Wall Street has led to a slight hardening of money rates.

The Agricultural Adjustment Act includes the institution of processing taxes to provide funds for the withdrawal of land from cultivation. A tax of 30 cents per bushel is imposed on all

wheat converted into flour, this being equivalent to an increased cost to bakers of $1.38 per barrel of flour. Raw cotton converted into cloth is expected to be taxed at the rate of 4 cents per lb., and cotton-growers are given two options to be financed out of the proceeds of this tax. First, the Government is prepared to take over land from them at rents ranging from $7 per acre for land normally yielding 100–124 lbs. per acre up to $20 per acre for land producing 275 lbs. upwards. Secondly, the Government will pay a cash rental of $6 to $12 per acre, according to fertility, and will also give lessors an option to buy Government-held cotton at 6 cents per lb. up to a quantity equal to that which he has agreed not to produce.

The National Industrial Recovery Act suspends the operation of the Sherman Anti-Trust Law, and invites each industry to establish a new code for itself, with the underlying threat of Government intervention in cases of recalcitrancy. As an example of the new codes, that drafted by the cotton industry may be cited. It provides for the abolition of child labour, for a working week of 40 hours, and for minimum weekly wages of $13 in the North and $12 in the South.

Industrial activity is being maintained at a higher level than has been known during the past two years. There has been some decrease in unemployment, but this is not expected to have much effect upon retail sales until early in the autumn. It is clear that the Government is determined at all costs to raise the internal price-level and to stimulate industrial activity, and this means that no plans for foreign exchange stabilization will be entertained at present.

The iron and steel trades are quite active. Unfilled orders of the United States Steel Corporation rose during June from 1,929,715 to 2,106,671 tons, and production, which averaged 45·9 per cent. of capacity in June, had risen to 56 per cent. by early July. Price increases have been very conservative, and there has been no great enquiry for heavy steel. The new demand has been chiefly for light steel sheets and similar material for use in the automobile industry. Tin-plate factories are working at almost full capacity, and delivery is not now promised before late September. Home demand for copper shows some improvement, and prices are maintained at about 8½ cents per lb.

Exports of raw cotton were unusually well maintained up to the end of the old season. A loan of $4,000,000 to Russia

has been arranged to finance the exportation of some 60,000 to 80,000 bales of cotton. The terms are regarded as more severe than those which hitherto have been acceptable to Russia. The acreage estimate for July 1st was one of 40,798,000 acres, or 11·6 per cent. more than a year ago. Some uncertainty is imparted to the significance of this figure by the institution of the scheme for withdrawing land from cultivation, which has already been described.

At the close of the fiscal year on June 30th, the United States Treasury showed a deficit of $1,786 millions, while during the year the public debt increased from $19,487 to $22,539 millions.

Japan

Imports for the first half of 1933 totalled Y.1,015 millions, and exports Y.829 millions. Compared with the first half of 1933 imports have increased in value by 24·4 per cent. and exports by 50·9 per cent. The raw silk market remains very steady. Raw cotton costs are higher, partly because of the boycott against Indian cotton now in force, and yarn prices are in consequence very firm. Industrial conditions are satisfactory, and many undertakings are now able to pay better dividends. Money is very easy, and the Bank of Japan has reduced its re-discount rate from 4·38 to 3·65 per cent., the new rate being the lowest rate on record since the establishment of the Bank. Interest rates on deposits, short loans and overdrafts have also been reduced.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.					
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts &Advances.
				Per cent.			
1932.	£ mn.	£ mn.	£ mn.		£ mn.	£ mn.	£ mn.
July 27	*137·7*	*369·3*	*44·3*	*33·0*	*88·2*	*68·8*	*15·3*
1933.							
June 28... ...	189·4	375·1	75·5	46·7	105·1	75·4	16·6
July 5... ...	189·7	378·8	72·2	45·5	92·3	75·7	16·4
July 12... ...	189·7	378·5	72·5	42·8	96·0	87·1	15·1
July 19... ...	189·7	377·4	73·6	43·1	94·2	89·6	11·2
July 26... ...	190·1	377·2	74 2	43·5	98·5	90·6	11·2

2. TEN CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1932.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
June	*1,764·4*	*93·2*	*239·2*	*113·4*	*277·7*	*339·7*	*852·2*
1933.							
January	1,982·8	91·3	255·5	113·8	431·2	472·4	764·4
February	1,956·7	96·0	250·2	111·8	385·5	497·5	765·6
March	1,925·1	95·8	247·1	108·7	348·1	510·2	766·2
April...	1,930·4	94·2	261·9	104·7	337·8	517·2	763·6
May	1,944·0	96·5	249·3	97·7	346·1	530·4	774·8
June	1,978·2	97·4	259·6	101·2	351·8	544·4	775·2

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.				
			1929.	1930.	1931.	1932.	1933.
			%	%	%	%	%
1902	58·2	January	46·8	45·1	45·9	46·5	46·3
1914	49·9	February	45·9	44·2	45·1	44·7	45·8
1919	60·7	March	45·2	44·5	45·3	44·7	45 8
1920	56·7	April	44·9	45·1	45·0	45·2	46·0
1921	50·7	May	44·1	44·0	44·8	45·3	46·4
1926	48·6	June	44·5	44·4	45·4	45·4	47·05
1927	47·4	July	45·4	44·7	45·7	46·0	47·44
1928	46·4	August	45·3	44·4	45·7	45·7	
1929	45·2	September ...	45·3	44·7	45·0	45·2	
1930	44·7	October	45·6	44·8	45·3	45·2	
1931	45·4	November... ...	44·7	44·8	45·3	45·2	
1932	45·4	December... ...	45·3	46·0	46·7	46·2	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London. Bank Rate.	London. 3 Months' discount Rate.	London. Day-to-day Loans.	New York. Re-discount Rate.	New York. 90 Days' eligible Bank acceptances.	New York. Call Money.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1932.						
July 27	*2*	*¾—13/16*	*½—1*	*2½*	*⅞*	*2*
1933.						
June 28... ...	2	½	½—1	2½	½	1
July 5... ...	2	½	½—1	2½	½	1
July 12... ...	2	½—9/16	½—1	2½	½	1
July 19... ...	2	7/16—½	½—1	2½	½	1
July 26... ...	2	7/16	½—1	2½	½	1

2. FOREIGN EXCHANGES

London on	Par.	1932. July 27	1933. June 28.	July 5.	July 12.	July 19.	July 26.
New York ...	$4·866	3·53⅜	4·38	4·52¼	4·69¼	4·82¾	4·61⅞
Montreal ...	$4·866	4·04½	4·76	4·82½	4·93	5·00	4·91⅞
Paris	Fr. 124·21	90 5/16	86 7/32	85 3/32	85 3/32	85 1/32	85 11/32
Berlin	Mk. 20·43	14·87½	14·30½	14·09½	13·92½	13 95	13·99½
Amsterdam ...	Fl. 12·11	8·79	8·45	8·32½	8·25	8·24	8·27½
Brussels ...	Bel. 35	25·50	24·24	23·91	23·87½	23 83½	23·93
Milan	Li. 92·46	69 7/16	64⅜	62⅝	62 11/16	63 1/32	63 11/32
Berne	Fr. 25·22½	18·17½	17·55	17·34	17·18½	17·21½	17·26½
Stockholm ...	Kr. 18·16	19·47½	19·43	19 11/32	19⅜	19·37½	19·37½
Madrid ...	Ptas. 25·22½	44½	40¼	39 13/16	39 13/16	39 25/32	39 31/32
Vienna ...	Sch. 34·58½	31*	31½*	31¼*	30*	30*	30*
Prague ...	Kr. 164·25	119¾	114	112⅝	112¾	112¼	112¾
Buenos Aires ...	47·62d.	34¼‡	41⅜†	41¾†	42†	42†	41¾†
Rio de Janeiro	5·89d.	5 1/32‡	4⅜†	4⅛†	4 1/16†	4 1/16†	4⅜†
Valparaiso ...	Pes. 40	59*	55·50†	55·40†	54·70†	54·70†	55·40†
Bombay ...	18d.	18 1/16	18 1/16	18 1/16	18 1/16	18 1/16	18 1/16
Hong Kong ...	—d.	15½	16⅞	17	17⅛	17⅛	17
Shanghai ...	—d.	20¼§	15¼	15¼	15⅛	15½	15

* Nominal. † Official rate. ‡ Rate in London. § Per tael; this year's rates represent pence per dollar.

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To July 22 1933.	To July 23 1932.	Expenditure.	To July 22 1933.	To July 23 1932.
	£ mn.	£ mn.		£ mn.	£ mn.
Income Tax ...	25·1	27·8	Nat. Debt Service	86·5	112·1
Surtax	7·0	8·1	Northern Ireland Payments...	1·8	1·4
Estate Duties ...	22·8	27·9	Other Cons. Fund Services...	1·3	0·8
Stamps	3·7	2·7	Supply Services	127·1	130·6
Customs	54·1	50·9	Ordinary Expenditure ...	216·7	244·9
Excise	33·8	38·9	Sinking Fund	—	8·1
Tax Revenue ...	147·6	150·0	Self-Balancing Expenditure ...	20·1	20·2
Non-Tax Revenue	20·6	19·4			
Ordinary Revenue	168·2	169·4			
Self-Balancing Revenue	20·1	20·2			

1. PRODUCTION

Date.	Coal.*	Pig-Iron.	Steel.
1932.	Tons mn.	Tons thou.	Tons thou.
June	*4·0*	*311*	*459*
1933.			
January	4·4	287	444
February	4·6	271	483
March	4·5	332	578
April	3·9	325	510
May	3·9	340	600
June	3·5	346	569

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1932.	£ mn.	£ mn.	£ mn.	£ mn.
June	*31·4*	*13·5*	*11·8*	*57·5*
1933.				
January	27·2	15·1	11·5	54·1
February	25·2	13·2	10·5	49·1
March	29·2	14·1	12·8	56·3
April	26·4	13·0	11·4	51·2
May	30·0	14·5	12·6	57·3
June	27·3	14·0	12·2	53·8

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1932.	£ mn.	£ mn.	£ mn.	£ mn.
June	*2·3*	*3·6*	*22·9*	*29·7*
1933.				
January	2·5	3·8	22·1	29·2
February	2·3	3·4	21·4	27·9
March	2·3	3·8	25·4	32·6
April	1·9	3·1	20·5	26·4
May	2·2	4·2	23·5	30·8
June	2·0	3·7	21·7	28·5

4. UNEMPLOYMENT

Date.	1927.	1928.	1929.	1930.	1931.	1932.	1933.
End of—	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
January ...	12·0	10·7	12·2	12·6	21·5	22·4	23·1
February ...	10·9	10·4	12·2	13·1	21·7	22·0	22·8
March	9·8	9·5	10·1	14·0	21·5	20·8	22·0
April	9·4	9·5	9·9	14·6	20·9	21·4	21·4
May	8·7	9·8	9·9	15·3	20·8	22·1	20·5
June	8·8	10·7	9·8	15·4	21·8	22·3	19·5
July	9·2	11·6	9·9	16·7	22·6	22·9	
August	9·3	11·6	10·1	17·1	22·7	23·1	
September ...	9·3	11·4	10·0	17·6	23·2	22·9	
October... ...	9·5	11·8	10·4	18·7	21·9	21·9	
November ...	9·9	12·1	11·0	19·1	21·4	22·2	
December ...	9·8	11·2	11·1	20·2	20·9	21·7	

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	U.K.	U.S.A.	France.	Italy.	Germany.
	Index Number (Sept. 16th, 1931=100).				
1932.					
June	*97·7*	*88·3*	*92·6*	*90·6*	*88·4*
1933.					
January	101·4	81·8	87·7	90·6	83·7
February	100·3	79·9	88·0	89·4	83·8
March	99·3	81·3	87·3	87·7	83·7
April	99·5	82·9	87·0	86·2	83·3
May	102·1	87·4	86·5	86·2	84·4
June	104·4	92·4	87·8	87·0	85·5
June, 4th week	105·5	94·4	89·5	87·2	85·6
July, 1st week	105·6	96·6	89·0	87·0	86·1
July, 2nd week	106·1	99·8	90·2	86·5	86·1
July, 3rd week	107·5	102·1	90·2	86·5	86·4
July, 4th week	106·2	100·9	—	86·2	86·6

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1932.						
June	*25*	*54*	*85–90*	*65–70*	*70–75*	*43*
1933.						
January	22	55	85	70–75	70–75	41
February ...	19	55	85	70–75	70–75	39
March	15	55	85	70–75	70–75	37
April	14	55–56	85	65–70	70–75	36
May	14	56	85	65–70	70–75	36
June	18	56	80–85	65–70	70–75	38

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.		Cotton American Middling.	Wool, 64's tops avge.	Pig-Iron, Cleveland No. 3.		Tin, Standard Cash.	Rubber, Plantation Sheet.
	per qr.		per lb.	per lb.	per ton.		per ton.	per lb.
1932.	s.	d.	d.	d.	s.	d.	£	d.
June	*28*	*1*	*4·30*	*20¼*	*58*	*6*	*114⅝*	*1⅝*
1933.								
January	27	0	5·21	23	59	6	145$\frac{13}{16}$	2$\frac{5}{16}$
February ...	25	9	4·97	22	62	6	148⅝	2$\frac{1}{16}$
March	26	9	4·99	21¾	62	6	149$\frac{5}{16}$	2¼
April	27	4½	5·32	22⅝	62	6	158	2⅜
May	29	4	5·98	24¼	62	6	186¼	2⅞
June	28	8	6·35	26⅞	62	6	220$\frac{1}{16}$	3⅜